

TISCO Bank Public Company Limited
Report and financial statements
30 June 2019

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

Opinion

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 30 June 2019, and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2019, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am responsible for the audit resulting in this independent auditor's report.

Review Report of Interim Financial Information

I have reviewed the accompanying statements of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2019 ("Interim financial information") of TISCO Bank Public Company Limited. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.



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Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 9 August 2019

TISCO Bank Public Company Limited

Statement of financial position

As at 30 June 2019

(Unit: Thousand Baht)

	Note	30 June 2019	31 December 2018
Assets			
Cash		1,132,782	1,188,931
Interbank and money market items - net	3.1	38,940,894	53,089,353
Derivatives assets	3.2	29,349	5,685
Investments - net	3.3, 3.6	9,868,741	6,994,445
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		255,997,712	255,580,193
Accrued interest receivables		582,068	598,263
Total loans to customers and accrued interest receivables		256,579,780	256,178,456
Less: Deferred revenue		(19,233,188)	(18,969,250)
Less: Allowance for doubtful accounts	3.5	(10,672,757)	(11,043,654)
Less: Allowance for loss on debt restructuring	3.5	(7,744)	(8,146)
Loans to customers and accrued interest receivables - net		226,666,091	226,157,406
Properties foreclosed - net	3.7	11,046	4,217
Investment properties	3.8	28,152	38,831
Premises and equipment - net	3.9	786,352	787,066
Intangible assets - net	3.10	224,263	267,014
Deferred tax assets	3.29	756,544	651,350
Other assets	3.11	1,390,444	1,513,941
Total assets		279,834,658	290,698,239

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Statement of financial position (continued)****As at 30 June 2019**

(Unit: Thousand Baht)

	Note	30 June 2019	31 December 2018
Liabilities and equity			
Liabilities			
Deposits	3.12	201,040,150	195,215,732
Interbank and money market items	3.13	10,066,837	3,872,709
Liabilities payable on demand		275,851	238,219
Derivatives liabilities	3.2	1,600	10,653
Debts issued and borrowings	3.14	26,816,919	49,716,919
Provision for long-term employee benefits	3.15	609,710	383,056
Accrued interest payable		884,462	871,971
Income tax payable		685,261	601,265
Dividend payable		-	3,594,114
Other liabilities	3.16	6,448,950	5,870,780
Total liabilities		246,829,740	260,375,418

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 30 June 2019

		(Unit: Thousand Baht)	
	Note	30 June 2019	31 December 2018
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each	3.17	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each	3.17	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		305,643	302,661
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		19,956,574	17,277,459
Total equity		<u>33,004,918</u>	<u>30,322,821</u>
Total liabilities and equity		<u>279,834,658</u>	<u>290,698,239</u>

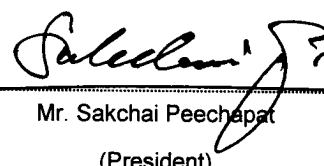
The accompanying notes are an integral part of the financial statements.



Mr. Suthas Ruangmanamongkol
 (Chairperson of the Executive Board)



ธนาคารทีเอสซี จำกัด (มหาชน)
 TISCO Bank Public Company Limited



Mr. Sakchai Peechapat
 (President)

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income

For the three-month periods ended 30 June 2019

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2019	2018
Profit or loss:			
Interest income	3.21	4,113,781	4,177,811
Interest expenses	3.22	(1,244,147)	(1,202,504)
Net interest income		2,869,634	2,975,307
Fee and service income		702,997	821,686
Fee and service expenses		(20,183)	(24,946)
Net fee and service income	3.23	682,814	796,740
Net gains on trading and foreign exchange transactions	3.24	18,569	3,840
Net gains (losses) on investments	3.25	(3,656)	11,038
Penalty fee income from loans		65,378	75,798
Other operating income	3.27	19,972	65,580
Total operating income		3,652,711	3,928,303
Operating expenses			
Employee expenses		751,432	779,740
Premises and equipment expenses		307,592	255,578
Taxes and duties		72,450	74,493
Intercompany supporting fee expenses	3.33	504,095	486,509
Other operating expenses	3.28	236,042	225,715
Total operating expenses		1,871,611	1,822,035
Bad debts, doubtful accounts and impairment losses (reversal)	3.26	(10,085)	466,921
Profit from operations before income tax expenses		1,791,185	1,639,347
Income tax expenses	3.29	357,196	327,642
Profit for the period		1,433,989	1,311,705

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the three-month periods ended 30 June 2019

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2019	2018
Other comprehensive income:	<i>3.30</i>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments		2,557	(10,957)
Income tax effects	<i>3.29, 3.31</i>	(511)	2,192
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		2,046	(8,765)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial losses		(95,562)	(8,437)
Income tax effects	<i>3.29, 3.31</i>	19,112	1,687
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(76,450)	(6,750)
Other comprehensive income for the period		(74,404)	(15,515)
Total comprehensive income for the period		1,359,585	1,296,190
Earnings per share			
Basic earnings per share (Baht per share)	<i>3.32</i>	1.56	1.42

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Statement of comprehensive income****For the six-month periods ended 30 June 2019**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2019	2018
Profit or loss:			
Interest income	3.21	8,242,704	8,439,877
Interest expenses	3.22	(2,508,250)	(2,415,376)
Net interest income		5,734,454	6,024,501
Fee and service income		1,389,569	1,720,289
Fee and service expenses		(39,731)	(48,780)
Net fee and service income	3.23	1,349,838	1,671,509
Net gains on trading and foreign exchange transactions	3.24	7,847	6,369
Net gains on investments	3.25	1,301	209,180
Penalty fee income from loans		137,381	155,922
Other operating income	3.27	82,327	132,915
Total operating income		7,313,148	8,200,396
Operating expenses			
Employee expenses		1,583,992	1,560,999
Premises and equipment expenses		603,308	509,676
Taxes and duties		143,076	151,138
Intercompany supporting fee expenses	3.33	1,024,711	931,008
Other operating expenses	3.28	426,853	630,238
Total operating expenses		3,781,940	3,783,059
Bad debts, doubtful accounts and impairment losses	3.26	93,998	1,317,795
Profit from operations before income tax expenses		3,437,210	3,099,542
Income tax expenses	3.29	682,798	618,069
Profit for the period		2,754,412	2,481,473

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the six-month periods ended 30 June 2019

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2019	2018
Other comprehensive income:	<i>3.30</i>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments		4,881	(14,479)
Income tax effects	<i>3.29, 3.31</i>	(976)	2,896
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		3,905	(11,583)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial losses		(95,562)	(8,437)
Income tax effects	<i>3.29, 3.31</i>	19,112	1,687
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(76,450)	(6,750)
Other comprehensive income for the period		(72,545)	(18,333)
Total comprehensive income for the period		2,681,867	2,463,140
Earnings per share			
Basic earnings per share (Baht per share)	<i>3.32</i>	2.99	2.69

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Cash flow statement****For the six-month periods ended 30 June 2019**

(Unit: Thousand Baht)

	2019	2018
Cash flows from operating activities		
Profit from operations before income tax	3,437,210	3,099,542
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	81,077	82,325
Bad debts and doubtful accounts	955,153	2,320,687
Allowance for impairment of investments (reversal)	4,954	(861)
Allowance for impairment of properties foreclosed (reversal)	(11,100)	267
Gains on disposal of investments in securities	(7,090)	(208,429)
Gains on disposal of equipment	(1,379)	(1,020)
Losses on written-off of equipment	159	61
Unrealised gains on foreign exchange transactions and trading derivatives	(5,545)	(8,270)
Gains on disposal of properties foreclosed	(25,548)	(38,500)
Employee benefit expenses	133,682	34,041
(Increase) decrease in accrued income	(37,105)	10,717
Increase in accrued expenses	494,552	667,356
Net interest income	(5,734,454)	(6,024,501)
Dividend income	(29,689)	(30,100)
Cash received on interest income	8,307,952	8,637,224
Cash paid on interest expenses	(1,947,634)	(1,865,923)
Cash received on dividend income	29,669	30,080
Cash paid on income tax	(685,628)	(694,386)
Profit from operating activities before changes in operating assets and liabilities	4,959,236	6,010,310
Operating assets (increase) decrease		
Interbank and money market items - net	14,149,459	(17,144,670)
Loans to customers	(2,358,487)	8,708,616
Properties foreclosed	692,877	736,642
Other assets	136,529	(69,978)

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Cash flow statement (continued)****For the six-month periods ended 30 June 2019**

(Unit: Thousand Baht)

	2019	2018
Operating liabilities increase (decrease)		
Deposits	5,824,418	4,553,830
Interbank and money market items	6,194,128	7,547,938
Liabilities payable on demand	37,632	(169,049)
Short-term debts issued and borrowings	100,000	(17,927,700)
Provision for long-term employee benefits	(2,590)	(2,461)
Other liabilities	(302,213)	(609,708)
Net cash flows from (used in) operating activities	29,430,989	(8,366,230)
Cash flows from investing activities		
Cash paid for purchase of investments in securities held for investment	(12,008,046)	(12,306,726)
Cash received from disposal of investments in securities held for investment	9,140,768	10,916,284
Cash paid for purchase of equipment	(22,838)	(10,846)
Cash paid for purchase of intangible assets	(4,287)	(6,832)
Cash received from disposal of equipment	1,379	1,266
Net cash flows used in investing activities	(2,893,024)	(1,406,854)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	2,400,000	18,000,000
Cash paid for redemption of long-term debentures	(25,400,000)	(5,500,000)
Dividend paid	(3,594,114)	(2,764,703)
Net cash flows from (used in) financing activities	(26,594,114)	9,735,297
Net decrease in cash	(56,149)	(37,787)
Cash at beginning of the period	1,188,931	1,323,405
Cash at end of the period	1,132,782	1,285,618

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Statement of changes in equity

For the six-month periods ended 30 June 2019

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total
	Preference shares	Ordinary shares		Surplus (deficit) on		Total other components of equity	Appropriated	Unappropriated	
				changes in value of available-for-sale investments	Surplus on revaluation of assets				
Balance as at 1 January 2018	1	9,215,676	2,543,024	16,016	206,188	222,204	984,000	15,959,967	28,924,872
Profit for the period	-	-	-	-	-	-	-	2,481,473	2,481,473
Other comprehensive income for the period	-	-	-	(11,583)	-	(11,583)	-	(6,750)	(18,333)
Total comprehensive income for the period	-	-	-	(11,583)	-	(11,583)	-	2,474,723	2,463,140
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,352)	(1,352)	-	1,352	-
Balance as at 30 June 2018	1	9,215,676	2,543,024	4,433	204,836	209,269	984,000	18,436,042	31,388,012
Balance as at 1 January 2019	1	9,215,676	2,543,024	(5,462)	308,123	302,661	984,000	17,277,459	30,322,821
Profit for the period	-	-	-	-	-	-	-	2,754,412	2,754,412
Other comprehensive income for the period	-	-	-	3,905	-	3,905	-	(76,450)	(72,545)
Total comprehensive income for the period	-	-	-	3,905	-	3,905	-	2,677,962	2,681,867
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(923)	(923)	-	1,153	230
Balance as at 30 June 2019	1	9,215,676	2,543,024	(1,557)	307,200	305,643	984,000	19,956,574	33,004,918

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Notes to financial statements

For the six-month periods ended 30 June 2019

1. Basis of preparation and presentation of financial statements and significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements for the six-month periods ended 30 June 2019 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand (“BOT”), and their presentation has been made in compliance with the Bank of Thailand’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The statements of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2019 are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Bank choosing to present the statements of comprehensive income and notes to the financial statements in the same format as that used for the annual financial statements.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

1.2 New financial reporting standards

a) Financial reporting standards that became effective in the current period

During the period, the Bank has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Bank's financial statements.

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Bank is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Bank is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

1.3 Change in accounting estimation

Change in accounting estimation and recording of depreciation of revalued assets

At the end of 2018, the Bank reappraised office condominiums and at the same time had the useful lives of the office condominiums estimated by an independent professional appraiser. As a result, effective from 1 January 2019, the Bank has changed the remaining useful lives of office condominiums from 15 years to 30 years in order to align them with the estimated useful lives of the assets determined using a prospective method. The change is expected to increase profit after tax and increase basic earnings per share of the current period as follows:

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	For the three-month period ended 30 June 2019	For the six-month period ended 30 June 2019
Increase in profit after tax	862	1,724
Increase in basic earnings per share	0.001	0.002

The amounts affecting the future statements of comprehensive income are summarised below.

	Increase (decrease) in profit after tax	Increase (decrease) in basic earnings per share
	(Thousand Baht)	(Baht per share)
For the year 2019	3,448	0.004
For the year 2020	3,448	0.004
For the year 2021	3,448	0.004
For the year 2022	3,448	0.004
For the year 2023 - 2048	(13,792)	(0.015)

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, finance lease and loan against auto license income are recognised over the installment period, using the effective interest rate.

The Bank has policies to cease accruing income for corporate loans on which interest payments have been defaulted for more than one month. For other loan accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and after that interest will be recognised as income on a cash basis.

The accounts will be reinstated to an accrual basis when the overdue amounts are received.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends is established.

c) Gains (losses) on trading in securities and derivatives

Gains (losses) on trading in securities and derivatives are recognised as income/ expenses on the transaction dates.

d) Fee and service income

Fee and service income are recognised as income on an accrual basis.

1.4.2 Expenses recognition

a) Interest expenses

Interest expenses are charged to expenses on an accrual basis.

b) Commissions and direct expenses of the hire purchase business/loan against auto license

The Bank records the initial commissions and direct expenses arising in respect of hire purchase/loan against auto license contracts using the effective interest rate method, and deducts them from interest income over the installment period.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.4.3 Securities purchased under resale agreements according to private repurchase transactions

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items - net" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchased under resale agreements according to private repurchase transactions, the Bank obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

1.4.4 Investments

a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recognised as part of profit or loss when the securities are sold.

c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

d) Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment loss (if any).

- e) The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- f) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and general investments are recognised in profit or loss.
- g) The weighted average method is used for computation of the cost of investments.
- h) In the event the Bank reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.
- i) Purchases and sales of investments are recorded on the settlement date.

1.4.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are recorded in profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customers and presented at fair value, net of allowance for doubtful debts. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debts is based on the same Bank of Thailand's guideline as allowance for loans to customers.

Investments in receivable purchased or transferred in are recorded as loans to customers in the statement of financial position at the fair value of consideration given in exchange, plus direct costs. Subsequent to initial recognition, these investments in receivable are valued at balances on the same basis as loans to customers.

1.4.6 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

Hire purchase and finance lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contracts and advances received from finance lease receivables.

1.4.7 Allowance for doubtful accounts and loss on debt restructuring

- a) The Bank provides allowance for doubtful accounts and loss on debt restructuring in accordance with the Notifications of the Bank of Thailand (“BOT”) and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mention, except for hire purchase receivables and loan against auto license receivables that are classified as pass and special mention, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables and loan against auto license receivables, the Bank records allowance for doubtful accounts at a rate 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT’s Notifications.

For hire purchase receivables and loan against auto license receivables that are classified as pass, special mention and non-performing loans, the Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables and loan against auto license receivables.

The Bank has already set provision for all loans to customers in accordance with the BOT’s Notifications issued on 10 June 2016.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the period. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the provision for doubtful accounts in the period of recovery.

1.4.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank records differences between the fair value of receivables and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.4.9 Properties foreclosed

Properties foreclosed represents assets transferred in respect of receivables on which the debtors have defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transfer date, not exceeding the legally claimable amount of outstanding debt) or net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve for declining in value of properties foreclosed in accordance with the Notifications of the Bank of Thailand and the management's estimates.

The Bank recognises loss on impairment in profit or loss. Gains or losses from disposal of properties foreclosed are recognised upon disposal.

1.4.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceed and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised (if any).

1.4.11 Premises and equipment/Depreciation

Land is stated at cost. Office condominiums and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Office condominiums are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Bank's assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expenses.
- When an asset's carrying amount is decreased as a result of the revaluation of the Bank's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of office condominiums and equipment is calculated by reference to their costs or fair values on the straight-line basis (except for the depreciation of communications equipment, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings	-	20 years
Office condominiums	-	43 - 50 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	5 years
Motor vehicles	-	6 years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.4.12 Intangible assets

The Bank initially recognises intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over the economic useful life and tests for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviews the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Bank amortises over the following estimated useful lives:

The license agreements with specified number of years of usage	-	according to the year of license agreement by the straight-line basis
The license agreements with no specified number of years of usage	-	5 years by the straight-line basis
No license agreements	-	5 years by the straight-line basis

1.4.13 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future years when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Bank recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that the Bank will generate future taxable profits that will be available against which such deductible deferred tax assets can be utilised. The Bank recognises deferred tax liabilities for all taxable temporary differences.

The Bank records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At the end of each reporting period, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.4.14 Impairment of assets

The Bank assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss. However, in cases where assets was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

1.4.15 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.4.16 Foreign currencies

The financial statements are presented in Baht, which is also the Bank's functional currency.

Transactions in foreign currencies are translated into Baht at exchange rates ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of each reporting period.

Gains and losses on exchange are included in determining income.

1.4.17 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Bank is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Bank records these expenses and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting period and any increase or decrease in the expenses according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by the employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Bank treats these severance payment obligations as a defined benefit plan. In addition, the Bank provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Bank based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

1.4.18 Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.4.19 Derivatives and hedge accounting

The Bank records derivatives held for trading under fair value method. The Bank records gains (losses) from changes in fair value of derivatives in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

1.4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities.

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly.

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

1.4.21 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liabilities payable on demand, derivatives liabilities and debts issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 to the financial statements.

b) Fair value of financial instruments

In determining the fair value of financial instruments, the estimated fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration of greater than one year, fair value is determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using the rate used for financial instruments with similar features.

The methods and assumptions used by the Bank in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities) and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For investments in debt securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For investments in equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash outflows by the current market interest rates of the borrowings with similar terms and conditions.

- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Bank has considered the counterparty's credit risk when determining the fair value of derivatives.

1.4.22 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4.23 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Recognition or derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets and liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for doubtful accounts for loans to customers

Allowance for doubtful accounts for loans to customers is intended to adjust the value of loans to customers for probable credit losses. The management uses judgement to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of both the Bank and the counterparty, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

Impairment of investments in securities

The Bank treats available-for-sale securities and general investments as impaired when the management judges that there has been a significant and prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” and “prolonged” requires judgement of the management.

Investment properties

The Bank presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the market approach. The key assumptions used in estimating the fair value are described in Note 3.8 to the financial statements.

Premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of the premises and equipment and to review estimated useful lives and residual values when there are any changes.

The Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the market approach. The valuation involves certain assumptions and estimates as described in Note 3.9 to the financial statements.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plans and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, and staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of the reporting period.

2. General information

2.1 The Bank's information

TISCO Bank Public Company Limited ("the Bank") is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate a commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 June 2019 and 31 December 2018, the Bank has 61 branches in Thailand.

2.2 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

2.3 Directors' remuneration

Directors' remuneration represents the benefits paid to the Bank's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.4 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those related parties, which are reference to the terms and prices as charged to other customers.

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at					
	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,307,620	1,000,000	2,307,620	1,526,439	745,000	2,271,439
Commercial banks	121,754	26,100,000	26,221,754	97,791	42,000,000	42,097,791
Specialised Financial Institutions	614	10,100,000	10,100,614	997	8,300,000	8,300,997
Other financial institutions	-	300,000	300,000	-	400,000	400,000
Total	1,429,988	37,500,000	38,929,988	1,625,227	51,445,000	53,070,227
Add: Accrued interest	26	13,880	13,906	19	23,107	23,126
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(4,000)	(4,000)
Total domestic	<u>1,430,014</u>	<u>37,510,880</u>	<u>38,940,894</u>	<u>1,625,246</u>	<u>51,464,107</u>	<u>53,089,353</u>

The Bank entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchased under resale agreements according to private repurchase transactions as at	
	30 June 2019	31 December 2018
	Commercial banks	26,100
Specialised Financial Institutions	10,100	8,300

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral as at	
	30 June 2019	31 December 2018
	Commercial banks	26,269
Specialised Financial Institutions	10,222	8,374

3.2 Derivatives

The Bank entered into interest rate swap agreements and foreign exchange contracts to manage the risk associated with financial assets, as follows:

(Unit: Thousand Baht)

Type of risks	As at					
	30 June 2019			31 December 2018		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	29,349	-	934,996	5,685	-	717,751
Interest rate	-	1,600	300,000	-	10,653	1,200,000
Total	29,349	1,600	1,234,996	5,685	10,653	1,917,751

All counterparties of these derivatives transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investments

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Available-for-sale investments - fair value		
Government and state enterprise securities	9,477,582	6,595,043
Private sector debt securities	184,683	186,078
Domestic marketable equity securities	3,260	4,319
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	9,664,065	6,783,980
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	12,517	13,352
Less: Allowance for impairment	(12,517)	(13,352)
Total held-to-maturity debt securities	-	-
General investments - cost		
Domestic non-marketable equity securities	245,093	245,093
Less: Allowance for impairment	(40,417)	(34,628)
Total general investments	204,676	210,465
Investments - net	9,868,741	6,994,445

3.3.2 Classified by remaining years to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 June 2019				31 December 2018			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	9,475	3	-	9,478	6,592	3	-	6,595
Private sector debt securities	133	51	-	184	1	185	-	186
Total	9,608	54	-	9,662	6,593	188	-	6,781
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	9,607	54	-	9,661	6,592	188	-	6,780
Held-to-maturity debt securities								
Investment in receivables	13	-	-	13	13	-	-	13
Less: Allowance for impairment	(13)	-	-	(13)	(13)	-	-	(13)
Total	-	-	-	-	-	-	-	-
Total debt securities	9,607	54	-	9,661	6,592	188	-	6,780

3.3.3 Investments subject to restrictions

(Unit: Million Baht)

Type of investments	As at		Type of restrictions
	30 June 2019	31 December 2018	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	182	648	Pledge for the use of credit balance on clearing position

3.3.4 Investments in companies with weak financial positions and poor operating results

(Unit: Thousand Baht)

	As at 30 June 2019		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

	As at 31 December 2018		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

3.3.5 Investments in which the Bank holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	As at					
	30 June 2019			31 December 2018		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
Trading import and export:						
Juki (Thailand) Co., Ltd.	5,707	-	10	3,659	-	10
PDTL Trading Co., Ltd.	3,637	-	10	4,320	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,932	-	10	3,932	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	11,299	-	10	18,315	-	10

3.4 Loans to customers and accrued interest receivables

3.4.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Loans to customers		
Overdrafts	180,866	369,084
Loans	98,457,454	98,921,935
Hire purchase receivables	157,354,625	156,276,659
Finance lease receivables	24,955	45,426
Less: Deferred revenue	(19,233,188)	(18,969,250)
Advances received from finance lease receivables	(20,188)	(32,911)
Total loans to customers	236,764,524	236,610,943
Add: Accrued interest receivables	582,068	598,263
Less: Allowance for doubtful accounts	(10,672,757)	(11,043,654)
Allowance for loss on debt restructuring	(7,744)	(8,146)
Loans to customers and accrued interest receivables - net	226,666,091	226,157,406

3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	30 June 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	228,763,725	7,065,803	235,829,528	229,051,452	6,841,740	235,893,192
US Dollars	-	934,996	934,996	-	717,751	717,751
Total loans to customers net of deferred revenue	228,763,725	8,000,799	236,764,524	229,051,452	7,559,491	236,610,943

3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 30 June 2019					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	459,113	89,875	39,521	10,134	2,448	601,091
Manufacturing and commerce	17,543,311	1,037,287	518,728	121,627	96,946	19,317,899
Real estate and construction	14,133,518	207,490	53,198	27,918	29,019	14,451,143
Public utilities and services	23,944,552	405,567	94,333	38,606	45,830	24,528,888
Personal consumption						
Hire purchase	110,529,209	10,633,090	1,654,297	831,833	503,264	124,151,693
Loan against auto license	21,922,557	3,464,650	1,066,483	272,162	51,542	26,777,394
Housing loan	14,756,509	520,055	256,365	227,814	485,459	16,246,202
Others	9,219,986	824,920	344,807	172,474	128,027	10,690,214
Total loans to customers	212,508,755	17,182,934	4,027,732	1,702,568	1,342,535	236,764,524
Add: Accrued interest receivables	402,908	179,049	-	-	111	582,068
Total loans to customers and accrued interest receivables	212,911,663	17,361,983	4,027,732	1,702,568	1,342,646	237,346,592

(Unit: Thousand Baht)

	As at 31 December 2018					Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	
Agricultural and mining	538,998	88,335	31,161	14,373	1,901	674,768
Manufacturing and commerce	20,749,893	1,427,083	181,499	81,825	86,390	22,526,690
Real estate and construction	11,328,190	204,335	57,126	22,448	26,633	11,638,732
Public utilities and services	24,434,715	377,707	84,322	51,388	62,892	25,011,024
Personal consumption						
Hire purchase	110,267,625	10,439,773	1,598,997	784,555	491,511	123,582,461
Loan against auto license	21,360,877	2,588,898	849,756	213,952	39,002	25,052,485
Housing loan	15,889,780	625,324	278,532	224,047	563,419	17,581,102
Others	9,198,444	781,902	274,733	143,878	144,724	10,543,681
Total loans to customers	213,768,522	16,533,357	3,356,126	1,536,466	1,416,472	236,610,943
Add: Accrued interest receivables	424,610	173,134	-	-	519	598,263
Total loans to customers and accrued interest receivables	214,193,132	16,706,491	3,356,126	1,536,466	1,416,991	237,209,206

3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at					
	30 June 2019			31 December 2018		
	Net amount			Net amount		
	Loans to customers and accrued interest receivables	used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guidelines						
- Pass	212,912	174,705	2,304	214,194	178,483	2,512
- Special mention	17,362	16,094	2,564	16,706	15,096	3,194
- Sub-standard	4,028	3,394	1,611	3,356	3,073	1,269
- Doubtful	1,703	1,396	534	1,536	1,315	586
- Doubtful of loss	1,342	785	412	1,417	817	531
Allowance established in excess	-	-	3,248	-	-	2,951
Total	237,347	196,374	10,673	237,209	198,784	11,043

⁽¹⁾ Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase and finance lease receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 30 June 2019, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 5,725 million (As at 31 December 2018: total of Baht 6,428 million). The Bank allocated Baht 2,477 million of the excess provision to specific provision for individual debtors (As at 31 December 2018: total of Baht 3,477 million) and so combined with the minimum provision requirement of Baht 4,948 million (As at 31 December 2018: total of Baht 4,615 million), the total provision set aside in accordance with BOT's requirement is Baht 7,425 million (As at 31 December 2018: total of Baht 8,092 million).

Percentage of allowance for doubtful accounts set up (%)

	Hire purchase receivables ⁽¹⁾		Loan against auto license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at		As at	
	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
Pass	0.80	0.83	1.46	1.43	1	1
Special mention	7.73	11.56	17.21	16.80	2	2
Sub-standard	26.93	26.59	38.23	37.75	100	100
Doubtful	26.44	26.60	38.23	37.75	100	100
Doubtful of loss	27.94	27.67	38.23	37.75	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽²⁾ These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.4.5 Hire purchase and finance lease receivables

As at 30 June 2019, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 138,299 million (31 December 2018: Baht 137,493 million) and mostly comprise hire purchase agreements for cars and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements, interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2019				
	Amounts of installments due under the long-term lease agreements				
	Not over	Over 1 year	Over	Non-	Total
	1 year	but not over	5 years	performing	
	5 years	5 years	loans		
Gross investment in the agreements	46,958	95,821	7,227	7,373	157,379
Less: Deferred revenue ⁽¹⁾	(6,021)	(8,790)	(310)	(3,939)	(19,060)
Advances received from					
finance lease receivables	(20)	-	-	-	(20)
Present value of minimum lease					
pay from agreements	40,917	87,031	6,917	3,434	138,299
Allowance for doubtful accounts ⁽²⁾					(2,804)
Net hire purchase and finance lease receivables					135,495

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

⁽²⁾ This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

(Unit: Million Baht)

As at 31 December 2018

	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	47,723	94,964	6,502	7,133	156,322
Less: Deferred revenue ⁽¹⁾	(6,089)	(8,621)	(277)	(3,809)	(18,796)
Advances received from finance lease receivables	(24)	(9)	-	-	(33)
Present value of minimum lease pay from agreements	41,610	86,334	6,225	3,324	137,493
Allowance for doubtful accounts ⁽²⁾					(3,218)
Net hire purchase and finance lease receivables					134,275

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.⁽²⁾ This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.4.6 Loans to customers for which the recognition of interest income has been ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	8,349	8,040	9,161	8,618

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

3.4.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at	
	30 June 2019	31 December 2018
Deferred revenue ⁽¹⁾	19,233	18,969

⁽¹⁾ These amounts include deferred revenue of hire purchase and finance lease contracts which are stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.4.8 Troubled debt restructuring

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Debtors restructured during the period				
Number of debtors restructured by modification				
of terms (number)	329	283	606	632
Loan balances before restructuring (Million Baht)	120	83	203	185
Loan balances after restructuring (Million Baht)	121	83	205	185
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring				
(years)				
Hire purchase receivables	5	4	4	4
Mortgage loan receivables	4	4	4	4
Loan against auto license receivables	5	5	5	5

Supplemental information for the three-month and six-month periods ended 30 June 2019 and 2018 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Interest income on restructured receivables	47	71	102	151
Receipt of principal and interest	294	384	610	793

As at 30 June 2019 and 31 December 2018, the Bank has the outstanding balances with troubled debt restructured debtors as follows:

(Unit: Million Baht)

	As at			
	30 June 2019		31 December 2018	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	12,759	2,631	14,261	3,176

3.5 Allowance for doubtful accounts/allowance for loss on debt restructuring

3.5.1 Allowance for doubtful accounts - classified by receivables classification

(Unit: Thousand Baht)

As at 30 June 2019							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of period	2,512,050	3,194,214	1,268,714	586,227	531,021	2,951,428	11,043,654
Increase (decrease) in allowance for doubtful accounts during the period	(208,740)	(630,270)	352,932	643,151	502,697	296,785	956,555
Bad debts written-off	-	-	(10,471)	(695,169)	(621,812)	-	(1,327,452)
Balance - end of period	<u>2,303,310</u>	<u>2,563,944</u>	<u>1,611,175</u>	<u>534,209</u>	<u>411,906</u>	<u>3,248,213</u>	<u>10,672,757</u>

(Unit: Thousand Baht)

As at 31 December 2018							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,319,945	3,591,610	888,764	422,734	389,060	2,088,234	10,700,347
Increase (decrease) in allowance for doubtful accounts during the year	(781,513)	(394,103)	542,716	1,415,835	2,762,741	863,194	4,408,870
Bad debts written-off	-	-	(99,726)	(1,251,562)	(2,620,744)	-	(3,972,032)
Transfer out from sales of receivables	(26,382)	(3,293)	(63,040)	(780)	(36)	-	(93,531)
Balance - end of year	<u>2,512,050</u>	<u>3,194,214</u>	<u>1,268,714</u>	<u>586,227</u>	<u>531,021</u>	<u>2,951,428</u>	<u>11,043,654</u>

3.5.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

As at 30 June 2019				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of period	3,620,998	4,471,228	2,951,428	11,043,654
Increase (decrease) in allowance for doubtful accounts during the period	(275,244)	935,014	296,785	956,555
Bad debts written-off	(281,270)	(1,046,182)	-	(1,327,452)
Balance - end of period	<u>3,064,484</u>	<u>4,360,060</u>	<u>3,248,213</u>	<u>10,672,757</u>

(Unit: Thousand Baht)

	As at 31 December 2018			
	Individual impairment	Collective impairment	Allowance	Total
			established in	
			excess	
Balance - beginning of year	4,502,267	4,109,846	2,088,234	10,700,347
Increase in allowance for doubtful accounts				
during the year	1,195,678	2,349,998	863,194	4,408,870
Bad debts written-off	(1,983,416)	(1,988,616)	-	(3,972,032)
Transfer out from sales of receivables	(93,531)	-	-	(93,531)
Balance - end of year	<u>3,620,998</u>	<u>4,471,228</u>	<u>2,951,428</u>	<u>11,043,654</u>

3.5.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
	Balance - beginning of period/year	8,146
Increase during the period/year	-	-
Amortisation during the period/year	(402)	(802)
Balance - end of period/year	<u>7,744</u>	<u>8,146</u>

3.5.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 June 2019	31 December 2018
	Non-performing loans to customers	7,073
Allowance for doubtful accounts ⁽¹⁾	2,557	2,386

⁽¹⁾ This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.6 Classification of assets

3.6.1 Investments in companies with weak financial positions and poor operating results

(Unit: Million Baht)

	Allowance for possible loss provided in the accounts					
	Cost as at		Fair value as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1

⁽¹⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

3.6.2 Classification of assets under the Bank of Thailand's guidelines

As at 30 June 2019 and 31 December 2018, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at		as at		as at		as at		as at	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Pass	249,009	264,469	-	-	-	-	-	-	249,009	264,469
Special mention	17,183	16,533	-	-	-	-	-	-	17,183	16,533
Sub-standard	4,028	3,356	-	-	-	-	-	-	4,028	3,356
Doubtful	1,703	1,536	-	-	-	-	-	-	1,703	1,536
Doubtful of loss	1,342	1,417	42	36	13	13	-	12	1,397	1,478
Total	273,265	287,311	42	36	13	13	-	12	273,320	287,372

⁽¹⁾ Loans to customers include investments in debt securities under resale agreements of other commercial banks and loans to financial institutions (which are presented as part of interbank and money market items - net (assets) in the statement of financial position).

3.6.3 Classification of assets under the Bank of Thailand's guidelines for which the Bank sets aside provision using a collective approach

3.6.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful accounts set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at		as at		as at		as at	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
					(%)	(%)		
Pass	123,294	122,837	123,294	122,837	0.80	0.83	984	1,018
Special mention	11,567	11,319	11,567	11,319	7.73	11.56	894	1,309
Sub-standard	1,864	1,811	1,864	1,811	26.93	26.59	502	481
Doubtful	952	900	952	900	26.44	26.60	252	239
Doubtful of loss	617	614	617	614	27.94	27.67	172	170
Total	138,294	137,481	138,294	137,481			2,804	3,217

⁽¹⁾ The Bank does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽³⁾ These amounts of allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.6.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts		Percentage of allowance for doubtful accounts set up ⁽¹⁾		Allowance for doubtful accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
					(%)	(%)		
Pass	23,158	22,835	23,158	22,835	1.46	1.43	338	327
Special mention	3,720	2,816	3,720	2,816	17.21	16.80	640	473
Sub-standard	1,152	923	1,152	923	38.23	37.75	441	348
Doubtful	300	236	300	236	38.23	37.75	115	89
Doubtful of loss	58	45	58	45	38.23	37.75	22	17
Total	28,388	26,855	28,388	26,855			1,556	1,254

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽²⁾ These amounts of allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.6.4 Loans to customers with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	545	578	499	531	545 ⁽³⁾	578 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	8	11	691	1,315	271	293	8	50
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	9	12	1,236	1,893	770	824	553	628

⁽¹⁾ The company is currently under rehabilitation.

⁽²⁾ This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽³⁾ This allowance for doubtful accounts includes the allowance for loss on debt restructuring.

3.7 Properties foreclosed

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of period/year	11,713	11,713
Disposals	(11,713)	-
Balance - end of period/year	-	11,713
Movable assets		
Balance - beginning of period/year	4,375	1,203
Additions	1,082,016	2,469,289
Disposals	(1,075,056)	(2,466,117)
Balance - end of period/year	11,335	4,375
Total properties foreclosed	11,335	16,088
Less: Allowance for impairment		
Balance - beginning of period/year	11,871	12,139
Increase	796	851
Decrease	(12,378)	(1,119)
Balance - end of period/year	289	11,871
Total properties foreclosed - net	11,046	4,217

3.8 Investment properties

The book value of investment properties as at 30 June 2019 and 31 December 2018 is as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
Book value - beginning of period/year	38,831	32,778
Transfer type of asset	(10,679)	-
Gain from fair value adjustment	-	6,053
Book value - end of period/year	<u>28,152</u>	<u>38,831</u>

The investment property of the Bank is an office condominium for rent and is stated at its fair value at the end of 2018. The fair value of investment properties is calculated using the asset appraisal method based on the market approach, which makes reference to data on assets in the market that are similar and comparable to the appraised assets. These valuations were made by an independent professional appraiser.

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 30 June 2019	Result to fair value where as an increase in assumption value
Estimated office condominium price rate (Baht/Sq.m.)	93,330 - 139,951	Increase in fair value

3.9 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	
	Office condominium and building improvements					
Cost:						
As at 1 January 2018	612,791	17,509	434,257	551,479	61,837	1,677,873
Additions/transfers in	1,526	-	13,030	32,963	3,359	50,878
Disposals/written-off/transfers out	(6,383)	-	(6,673)	(54,482)	(13,546)	(81,084)
Transfer accumulated depreciation to deduct cost	(129,974)	-	-	-	-	(129,974)
Surplus on revaluation	145,609	-	-	-	-	145,609
As at 31 December 2018	623,569	17,509	440,614	529,960	51,650	1,663,302
Additions/transfers in	10,679	-	8,791	8,645	6,067	34,182
Disposals/written-off/transfers out	-	-	(12,199)	(3,847)	(4,452)	(20,498)
As at 30 June 2019	634,248	17,509	437,206	534,758	53,265	1,676,986
Accumulated depreciation:						
As at 1 January 2018	116,402	-	364,392	482,522	38,450	1,001,766
Depreciation for the year	13,572	-	26,775	25,018	7,090	72,455
Transfer accumulated depreciation to deduct cost	(129,974)	-	-	-	-	(129,974)
Depreciation on disposals/written-off/transfers out	-	-	(4,413)	(50,298)	(13,300)	(68,011)
As at 31 December 2018	-	-	386,754	457,242	32,240	876,236
Depreciation for the period	5,090	-	12,077	13,525	3,347	34,039
Depreciation on disposals/written-off/transfers out	-	-	(11,343)	(3,846)	(4,452)	(19,641)
As at 30 June 2019	5,090	-	387,488	466,921	31,135	890,634
Net book value:						
As at 31 December 2018	623,569	17,509	53,860	72,718	19,410	787,066
As at 30 June 2019	629,158	17,509	49,718	67,837	22,130	786,352
Depreciation for the six-month periods ended 30 June:						
2018						37,031
2019						34,039

The Bank arranged for an independent professional appraiser to appraise the value of the office condominium in 2018, using the market approach.

Had the office condominiums been carried in the financial statements based on cost model, their net book value as at 30 June 2019 and 31 December 2018 would have been as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
Office condominiums - net of accumulated depreciation	234,479	238,415

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at	Result to fair value
	30 June 2019	where as an increase in
		assumption value
Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 181,475	Increase in fair value

3.10 Intangible assets

The book value of intangible assets as at 30 June 2019 and 31 December 2018 is presented as follows:

	(Unit: Thousand Baht)
	Computer software
As at 30 June 2019:	
Cost	854,447
Less: Accumulated amortisation	(630,184)
Net book value	<u>224,263</u>
As at 31 December 2018:	
Cost	850,160
Less: Accumulated amortisation	(583,146)
Net book value	<u><u>267,014</u></u>

A reconciliation of the net book value of intangible assets for the six-month period ended 30 June 2019 and for the year ended 31 December 2018 is presented as follows:

	(Unit: Thousand Baht)	
	For the six-month period ended 30 June 2019	For the year ended 31 December 2018
Net book value at beginning of period/year	267,014	342,255
Acquisitions of computer software	4,287	19,098
Disposals of computer software	-	(1,606)
Amortisation	(47,038)	(92,733)
Net book value at end of period/year	<u>224,263</u>	<u>267,014</u>

3.11 Other assets

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
Value added tax - net	526,233	555,809
Accrued interest receivables	21,656	20,365
Fee and service receivables	136,311	99,206
Deposits	61,530	60,542
Other receivables	402,029	563,210
Other assets	242,685	214,809
Total other assets	<u>1,390,444</u>	<u>1,513,941</u>

3.12 Deposits

3.12.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
Deposits		
Current accounts	2,637,023	2,701,977
Saving accounts	40,282,069	54,683,842
Fixed accounts		
- not over 6 months	16,085,664	16,081,571
- over 6 months but not over 1 year	33,046,415	20,441,879
- over 1 year	4,377,885	3,551,294
Certificates of deposit/negotiable certificates of deposit	104,611,094	97,755,169
Total	<u>201,040,150</u>	<u>195,215,732</u>

3.12.2 Classified by the remaining years of contract

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Not over 1 year ⁽¹⁾	200,423,922	191,278,046
Over 1 year	616,228	3,937,686
Total deposits	201,040,150	195,215,732

⁽¹⁾ Including fully-mature deposit contracts

3.12.3 As at 30 June 2019 and 31 December 2018, all outstanding deposits are deposits from domestic depositors and are in Baht.

3.13 Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	50,597	-	50,597	88,209	-	88,209
Specialised Financial						
Institutions	-	2,382,939	2,382,939	-	2,287,710	2,287,710
Other financial institutions	7,396,295	237,006	7,633,301	852,290	644,500	1,496,790
Total	7,446,892	2,619,945	10,066,837	940,499	2,932,210	3,872,709

3.14 Debts issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,680,000	6,680,000
Unsubordinated unsecured debentures	20,100,000	43,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	26,816,919	49,716,919

3.14.1 Subordinated unsecured debentures

As at 30 June 2019 and 31 December 2018, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	30 June 2019	31 December 2018		30 June 2019	31 December 2018		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2014	-	1.60	1,000	-	1,600	2024	6.00 percent per annum
2014	-	0.80	1,000	-	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	1.00	1,000	1,000	1,000	2027	4.00 percent per annum
2017	0.60	0.60	1,000	600	600	2027	3.70 percent per annum
2019	1.20	-	1,000	1,200	-	2029	4.00 percent per annum
2019	1.20	-	1,000	1,200	-	2029	4.00 percent per annum
Total				6,680	6,680		

3.14.2 Unsubordinated unsecured debentures

As at 30 June 2019 and 31 December 2018, the Bank has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
		30 June 2019	31 December 2018		30 June 2019	31 December 2018		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2016	Long-term debenture	-	10.00	1,000	-	10,000	2019	1.85 - 1.95 percent per annum
2017	Long-term debenture	-	13.00	1,000	-	13,000	2019	1.75 - 1.85 percent per annum
2018	Long-term debenture	8.00	8.00	1,000	8,000	8,000	2019	1.68 - 1.75 percent per annum
2018	Long-term debenture	12.00	12.00	1,000	12,000	12,000	2020	1.65 - 2.05 percent per annum
2019	Short-term debenture	0.10	-	1,000	100	-	2019	1.85 percent per annum
Total					20,100	43,000		

3.14.3 Bills of exchange

Bills of exchange comprise bills of exchange that mature at call and bear interest at a fixed rate of 2.50 percent per annum.

3.15 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 30 June 2019 and 31 December 2018 is as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
Defined post-employment benefit obligation		
at beginning of period/year	286,371	251,348
Current service cost	15,525	22,758
Interest cost	5,794	7,968
Past service cost	92,745	-
Benefits paid during the period/year	-	(11,590)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	34,767	(1,544)
Financial assumptions changes	49,633	9,953
Other assumptions changes	11,162	7,478
Defined post-employment benefit obligation		
at end of period/year	495,997	286,371
Other long-term benefits	113,713	96,685
Total provision for long-term employee benefits		
at end of period/year	609,710	383,056

Long-term employee benefits expenses included in the profit or loss for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 30 June	
	2019	2018
Current service cost	10,602	8,911
Interest cost	3,454	2,480
Past service cost	30	-
Actuarial losses	12,825	11,717
Total employee benefits expenses	26,911	23,108

(Unit: Thousand Baht)

	For the six-month periods ended 30 June	
	2019	2018
Current service cost	21,204	17,537
Interest cost	6,908	4,787
Past service cost	92,745	-
Actuarial losses	12,825	11,717
Total employee benefits expenses	133,682	34,041

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 30 June 2019 and 31 December 2018 amounted to Baht 189 million and Baht 112 million, respectively.

As at 30 June 2019 and 31 December 2018, the Bank expects to pay Baht 28 million and Baht 11 million, respectively, in contributions to its provision for long-term employee benefits during the next year.

As at 30 June 2019 and 31 December 2018, the weighted average duration of the liabilities for long-term employee benefits is 18 years and 21 years, respectively.

Significant actuarial assumptions are summarised below.

(Unit: Percent per annum)

	As at	
	30 June 2019	31 December 2018
Discount rate	1.78 - 3.59	1.72 - 4.02
Average salary increase rate	5.00	5.00

The results of sensitivity analysis for significant assumptions that affect the present value of the employee benefit obligation as at 30 June 2019 and 31 December 2018 are summarised below.

(Unit: Thousand Baht)

	As at			
	30 June 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Discount rate	(15,630)	16,340	(10,626)	11,169
Average salary increase rate	15,924	(15,318)	10,954	(10,479)

3.16 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Withholding income tax and other tax payables	109,186	240,570
Accrued insurance premium	227,560	390,106
Deferred income	1,628,443	1,442,405
Accrued expenses	2,887,916	2,393,364
Suspense creditors	1,281,359	1,082,473
Other liabilities	314,486	321,862
Total other liabilities	<u>6,448,950</u>	<u>5,870,780</u>

The above accrued expenses include accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 June 2019 and 31 December 2018, the Bank has issued bonus under this scheme amounting to Baht 337 million and Baht 311 million, respectively.

3.17 Preference shares converted to ordinary shares

Up to 30 June 2019 and 31 December 2018, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 30 June 2019 and 31 December 2018, there are preference shares which are convertible to ordinary shares totaling 104 shares.

3.18 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of the Bank of Thailand.

The Bank maintains capital adequacy ratio in compliance with Basel III principles by implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, car inventory financing loans, equity exposure and other assets.

Regarding Capital funds as at 30 June 2019 and 31 December 2018, the Bank has allocated the additional reserve from classification as a part of regulatory capital funds. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Bank (under Basel III principles) are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	17,277,459	15,959,967
Other components of equity	305,643	197,999
Less: Deductions from Common Equity Tier I items	(1,016,742)	(972,378)
Total Common Equity Tier I capital	29,309,060	27,928,288
<u>Financial Instrument Tier I capital</u>		
Issued and fully paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	29,309,061	27,928,289
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	686,169	664,553
Reserve for loans classified as pass	553,765	571,301
Total Tier II capital	7,919,934	7,915,854
Total capital funds	37,228,995	35,844,143

(Unit: Percent)

	As at			
	30 June 2019		31 December 2018	
Capital fund ratios	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	18.47	7.00	17.85	6.375
Tier I capital to risk assets	18.47	8.50	17.85	7.875
Total capital to risk assets	23.46	11.00	22.91	10.375

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 4/2556 regarding "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank will disclose capital maintenance information as at 30 June 2019 on its website within October 2019.

3.19 Surplus (deficit) on valuation in available-for-sale investments

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Balance - beginning of period/year	(6,828)	20,020
Increase (decrease) from changes in value of investments during the period/year	4,881	(26,848)
	(1,947)	(6,828)
Add: The effect of deferred tax assets	390	1,366
Balance - end of period/year	(1,557)	(5,462)

3.20 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Balance - beginning of period/year	385,154	257,735
Revaluation	-	145,610
Transfer to retained earnings	(1,153)	(18,191)
	384,001	385,154
Less: The effect of deferred tax liabilities	(76,801)	(77,031)
Balance - end of period/year	307,200	308,123

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.21 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Interbank and money market items	154,615	159,997	364,616	315,682
Investments in debt securities	43,146	32,427	76,896	61,986
Loans to customers	1,999,312	2,010,269	3,954,607	4,098,226
Hire purchase and finance lease	1,916,708	1,975,118	3,846,585	3,963,983
Total interest income	4,113,781	4,177,811	8,242,704	8,439,877

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Deposits	795,995	603,075	1,537,763	1,211,351
Interbank and money market items	1,917	2,706	4,135	5,920
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	269,184	275,769	548,125	553,486
Issued debt securities				
- Subordinated debentures	67,826	79,793	137,932	158,709
- Unsubordinated debentures	108,998	240,934	279,843	485,458
Borrowings	227	227	452	452
Total interest expenses	<u>1,244,147</u>	<u>1,202,504</u>	<u>2,508,250</u>	<u>2,415,376</u>

3.23 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Fee and service income				
- Acceptance, aval and guarantees	1,890	2,458	3,287	4,217
- Insurance service	467,679	572,397	911,304	1,218,603
- Management	370	14,327	663	14,327
- Financial advisory	9,000	500	9,000	8,170
- Others	224,058	232,004	465,315	474,972
Total fee and service income	702,997	821,686	1,389,569	1,720,289
Fee and service expenses	(20,183)	(24,946)	(39,731)	(48,780)
Net fee and service income	<u>682,814</u>	<u>796,740</u>	<u>1,349,838</u>	<u>1,671,509</u>

3.24 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	11,193	10	(5,699)	79
- Derivatives on interest rates	(12)	(106)	4	(2,130)
- Debt securities	7,388	3,936	13,542	8,420
Net gains on trading and foreign exchange transactions	<u>18,569</u>	<u>3,840</u>	<u>7,847</u>	<u>6,369</u>

3.25 Net gains (losses) on investments

Net gains (losses) on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Gains on disposal				
- Available-for-sale investments	17	127	17	127
- Held-to-maturity debt securities	4,194	1,385	7,073	3,937
- General investments	-	8,799	-	204,365
Total	4,211	10,311	7,090	208,429
Reversal of allowance for losses (losses) on impairment				
- General investments	(7,867)	727	(5,789)	751
Total	(7,867)	727	(5,789)	751
Net gains (losses) on investments	<u>(3,656)</u>	<u>11,038</u>	<u>1,301</u>	<u>209,180</u>

3.26 Bad debts, doubtful accounts and impairment losses

Bad debts, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Interbank and money market items	-	73	-	73
Held-to-maturity debt securities (reversal)	(763)	(4)	(835)	(109)
Loans to customers (reversal)	(9,322)	466,852	94,833	1,317,831
Total	(10,085)	466,921	93,998	1,317,795

3.27 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Gains on disposal of properties foreclosed	8,134	15,400	25,548	38,500
Dividend income	1,094	1,580	29,689	30,100
Gains on sales of receivables	-	41,321	-	41,321
Others	10,744	7,279	27,090	22,994
Total	19,972	65,580	82,327	132,915

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Mailing expenses	11,436	15,260	25,674	32,481
Software amortisation expenses	23,632	22,966	47,037	45,294
Legal expenses relating to the business	77,318	79,381	146,869	352,063
Transportation expenses	18,199	19,560	36,894	39,035
Expenses related to the repossession and the disposal of repossessed assets	15,551	13,549	32,945	30,593
Advertising and business promotion expenses	34,022	38,481	48,220	55,392
Others	55,884	36,518	89,214	75,380
Total	236,042	225,715	426,853	630,238

3.29 Income tax expenses

Income tax expenses of the Bank for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Current income tax:				
Income tax expenses for the period	336,674	388,706	769,624	789,335
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	20,522	(61,064)	(86,826)	(171,266)
Income tax expenses reported in the statement of comprehensive income	357,196	327,642	682,798	618,069

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
(Gains) losses on valuation in				
available-for-sale investments	(511)	2,192	(976)	2,896
Actuarial losses	19,112	1,687	19,112	1,687
Income tax expenses recorded directly				
to other comprehensive income	18,601	3,879	18,136	4,583

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2019 and 2018 is as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Accounting profit before tax	1,791,185	1,639,347	3,437,210	3,099,542
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied				
by applicable tax rate	358,237	327,870	687,442	619,908
Tax effect of net tax-exempt income				
and net disallowed expenses	(1,041)	(228)	(4,644)	(1,839)
Income tax expenses reported in the				
statement of comprehensive income	357,196	327,642	682,798	618,069

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	As at		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the six-month periods ended	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Allowance for doubtful accounts	649,643	590,286	59,357	138,618
Allowance for impairment of investments	22,984	21,993	991	(172)
Allowance for impairment of properties foreclosed	58	2,374	(2,316)	53
Non-accrual of interest income	34,165	33,782	383	1,041
Depreciation of assets	(44,264)	(35,563)	(8,701)	(6,161)
Finance leases	(143)	(162)	19	118
Gains on changes in value of investment properties	-	(2,983)	2,983	-
Surplus on revaluation of assets	(76,801)	(77,031)	-	-
Deficit on changes in value of investments	390	1,366	-	-
Unrealised loss on derivatives	106	1,917	(1,811)	(1,638)
Deferred commission and direct expenses incurred at the initiation of hire purchase	(591,939)	(562,229)	(29,710)	(19,470)
Unearned interest income on hire purchase	205,736	179,221	26,515	58,877
Accrued expenses	298,538	298,538	-	-
Employee benefit expenses	121,942	76,610	26,218	6,316
Others	136,129	123,231	12,898	(6,316)
Deferred tax assets	756,544	651,350	86,826	171,266

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the period	2,574	(10,830)	4,898	(14,352)
Less: Reclassification adjustments for gains included in profit or loss	(17)	(127)	(17)	(127)
	2,557	(10,957)	4,881	(14,479)
Actuarial losses	(95,562)	(8,437)	(95,562)	(8,437)
Other comprehensive income	(93,005)	(19,394)	(90,681)	(22,916)
Income tax effects relating to components of other comprehensive income	18,601	3,879	18,136	4,583
Net other comprehensive income for the period	(74,404)	(15,515)	(72,545)	(18,333)

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June					
	2019			2018		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available- for-sale investments	2,557	(511)	2,046	(10,957)	2,192	(8,765)
Actuarial losses	(95,562)	19,112	(76,450)	(8,437)	1,687	(6,750)
	(93,005)	18,601	(74,404)	(19,394)	3,879	(15,515)

	For the six-month periods ended 30 June					
	2019			2018		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available- for-sale investments	4,881	(976)	3,905	(14,479)	2,896	(11,583)
Actuarial losses	(95,562)	19,112	(76,450)	(8,437)	1,687	(6,750)
	(90,681)	18,136	(72,545)	(22,916)	4,583	(18,333)

3.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the period. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Profit attributable to equity holders of the Bank (Thousand Baht)	1,433,989	1,311,705	2,754,412	2,481,473
Weighted average number of shares (Thousand shares)	921,568	921,568	921,568	921,568
Basic earnings per share (Baht/share)	1.56	1.42	2.99	2.69

3.33 Related party transactions

The relationships between the Bank and its related parties

Name of related parties	Relationship
TISCO Financial Group Plc.	Parent Company
TISCO Securities Co., Ltd.	Common Shareholders
TISCO Asset Management Co., Ltd.	Common Shareholders
Deutsche TISCO Investment Advisory Co., Ltd.	Related Company
Hi-Way Co., Ltd.	Common Shareholders
TISCO Insurance Solution Co., Ltd.	Common Shareholders
TISCO Information Technology Co., Ltd.	Common Shareholders
TISCO Learning Center Co., Ltd.	Common Shareholders
All-Ways Co., Ltd.	Common Shareholders
Primus Leasing Co., Ltd. (In the process of liquidation)	Common Shareholders
TISCO Tokyo Leasing Co., Ltd.	Common Shareholders

As at 30 June 2019 and 31 December 2018, the balances of accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2019	31 December 2018
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	813,416	641,306
Accrued interest payable	460	89
Dividend payable	-	3,593,665
Other liabilities	133,422	123,647
Related companies		
Other Assets:		
TISCO Insurance Solution Co., Ltd.	15,374	31,216
TISCO Securities Co., Ltd.	152	322
TISCO Asset Management Co., Ltd.	4,336	9
All-Ways Co., Ltd.	32	-
Deposits:		
Hi-Way Co., Ltd.	97,727	69,583
TISCO Insurance Solution Co., Ltd.	327,531	438,790
TISCO Information Technology Co., Ltd.	307,875	170,036
TISCO Learning Center Co., Ltd.	20,888	40,748
All-Ways Co., Ltd.	211,447	714,061
Primus Leasing Co., Ltd. (In the process of liquidation)	32,898	32,898
TISCO Tokyo Leasing Co., Ltd.	1,379	1,561
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	114,247	78,391
TISCO Asset Management Co., Ltd.	41,007	209,213
Deutsche TISCO Investment Advisory Co., Ltd.	178,778	269,931
Accrued interest payable:		
TISCO Securities Co., Ltd.	7	6
TISCO Asset Management Co., Ltd.	66	105
Deutsche TISCO Investment Advisory Co., Ltd.	7	13
Hi-Way Co., Ltd.	6	6
TISCO Insurance Solution Co., Ltd.	328	474
TISCO Information Technology Co., Ltd.	553	161
TISCO Learning Center Co., Ltd.	31	90
All-Ways Co., Ltd.	430	188

(Unit: Thousand Baht)

As at

	30 June 2019	31 December 2018
Related companies (continued)		
Other liabilities:		
Hi-Way Co., Ltd.	121,432	108,910
TISCO Insurance Solution Co., Ltd.	15,209	16,928
TISCO Learning Center Co., Ltd.	5,613	4,274
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,040	1,136
Related companies		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Insurance Solution Co., Ltd.	200	200
TISCO Information Technology Co., Ltd.	1,014	918
All-Ways Co., Ltd.	-	100

Loans to related companies

As at 30 June 2019 and 1 January 2019, the balances of loans between the Bank and its related companies and their movements are as follows:

(Unit: Thousand Baht)

	As at 1 January 2019	Increase	Decrease	As at 30 June 2019
Related companies				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	300,000	-	-	300,000
TISCO Asset Management Co., Ltd.	100,000	-	(100,000)	-

During the period, the Bank had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on bases agreed upon between the Bank and those related parties.

(Unit: Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Terms and pricing policies
	2019	2018	2019	2018	
<u>Transactions occurred during the periods</u>					
Parent company					
Other income	125	750	458	1,000	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	378,395	394,709	777,011	751,608	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	1,836	1,305	4,686	3,254	With reference to the terms and prices as offered to other customers
Other expenses	2,508	3,638	5,017	7,275	With reference to the terms and prices as offered to other customers
Related companies					
Interest income	2,348	2,244	4,970	4,465	With reference to the terms and prices as offered to other customers
Income involving loans	27	169	74	376	With reference to the terms and prices as offered to other customers
Other income	28,314	2,258	56,096	4,807	With reference to the terms and prices as offered to other customers
Expenses involving loans	121,050	91,800	235,200	179,400	Determined on actual cost
Computer system advisory service expenses	157,000	106,500	314,000	213,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	12,668	13,651	20,058	24,389	With reference to the prices as offered from other service providers
Interest expenses	3,683	1,245	6,108	2,117	With reference to the terms and prices as offered to other customers
Other expenses	1,045	474	3,394	1,011	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Loans ⁽¹⁾	1,967	2,140

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Deposits	51,165	97,403

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2019 and 2018, the Bank had short-term benefit expenses paid to its directors and key management during the periods and other employee benefit expenses payable to its directors and management as follows:

(Unit: Million Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2019	2018	2019	2018
Short-term benefits	21	20	42	39
Post-employment benefits	4	4	7	7
Total	25	24	49	46

3.34 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Chairperson of the Executive Board.

For management purposes, the Bank is organised into business units based on its products and services and has the following three reportable segments:

1. Retail banking business: Provision of credit facilities to retail customers, who are mostly individuals, principally comprised of consumer credit.
2. Corporate banking business: Provision of financial services, in the form of loans and related services, to medium and large corporate clients for commercial purposes and related services.
3. Treasury investment and other businesses: Responsible for asset and liability management activities of the Bank and other businesses.

No operating segments have been aggregated from the above reportable operating segment.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss in which operating expenses are allocated on a basis of loans and operating income of each segment. However, the Bank's income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The Bank operates in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

During the three-month and six-month periods ended 30 June 2019 and 2018, the Bank did not have income from any customer amounting to or over 10 percent of its income.

The following tables present revenue and profit information regarding the Bank's operating segments for the three-month and six-month periods ended 30 June 2019 and 2018, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 30 June 2019						
Revenue						
External customers	3,180	341	132	3,653	-	3,653
Inter-segment	-	-	905	905	(905)	-
Total revenue	3,180	341	1,037	4,558	(905)	3,653
Operating results:						
Net interest income	2,440	298	132	2,870	-	2,870
Net fee and service income	654	31	(2)	683	-	683
Other operating income	86	12	907	1,005	(905)	100
Total operating income	3,180	341	1,037	4,558	(905)	3,653
Premises and equipment expenses and amortisation	(77)	(6)	(249)	(332)	-	(332)
Other operating expenses	(1,646)	(139)	(660)	(2,445)	905	(1,540)
Bad debts, doubtful accounts and impairment losses	(407)	(2)	419	10	-	10
Total operating expenses	(2,130)	(147)	(490)	(2,767)	905	(1,862)
Segment profit before income tax expenses	1,050	194	547	1,791	-	1,791
Income tax expenses						(357)
Profit for the period						1,434

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the six-month period ended 30 June 2019						
Revenue						
External customers	6,348	622	343	7,313	-	7,313
Inter-segment	-	-	1,872	1,872	(1,872)	-
Total revenue	6,348	622	2,215	9,185	(1,872)	7,313
Operating results:						
Net interest income	4,866	564	304	5,734	-	5,734
Net fee and service income	1,304	49	(3)	1,350	-	1,350
Other operating income	178	9	1,914	2,101	(1,872)	229
Total operating income	6,348	622	2,215	9,185	(1,872)	7,313
Premises and equipment expenses and amortisation	(152)	(12)	(487)	(651)	-	(651)
Other operating expenses	(3,338)	(272)	(1,393)	(5,003)	1,872	(3,131)
Bad debts, doubtful accounts and impairment losses	(806)	31	681	(94)	-	(94)
Total operating expenses	(4,296)	(253)	(1,199)	(5,748)	1,872	(3,876)
Segment profit before income tax expenses	2,052	369	1,016	3,437	-	3,437
Income tax expenses						(683)
Profit for the period						2,754

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 30 June 2018						
Revenue						
External customers	3,476	336	116	3,928	-	3,928
Inter-segment	-	-	887	887	(887)	-
Total revenue	3,476	336	1,003	4,815	(887)	3,928
Operating results:						
Net interest income	2,569	294	112	2,975	-	2,975
Net fee and service income	768	34	(5)	797	-	797
Other operating income	139	8	896	1,043	(887)	156
Total operating income	3,476	336	1,003	4,815	(887)	3,928
Premises and equipment expenses and amortisation	(76)	(5)	(197)	(278)	-	(278)
Other operating expenses	(1,617)	(119)	(694)	(2,430)	887	(1,543)
Bad debts, doubtful accounts and impairment losses	(258)	16	(225)	(467)	-	(467)
Total operating expenses	(1,951)	(108)	(1,116)	(3,175)	887	(2,288)
Segment profit (loss) before income tax expenses	1,525	228	(113)	1,640	-	1,640
Income tax expenses						(328)
Profit for the period						1,312

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the six-month period ended 30 June 2018						
Revenue						
External customers	7,070	684	446	8,200	-	8,200
Inter-segment	-	-	1,758	1,758	(1,758)	-
Total revenue	7,070	684	2,204	9,958	(1,758)	8,200
Operating results:						
Net interest income	5,196	614	215	6,025	-	6,025
Net fee and service income	1,617	62	(7)	1,672	-	1,672
Other operating income	257	8	1,996	2,261	(1,758)	503
Total operating income	7,070	684	2,204	9,958	(1,758)	8,200
Premises and equipment expenses and amortisation	(148)	(10)	(397)	(555)	-	(555)
Other operating expenses	(3,376)	(241)	(1,369)	(4,986)	1,758	(3,228)
Bad debts, doubtful accounts and impairment losses	(1,148)	(43)	(127)	(1,318)	-	(1,318)
Total operating expenses	(4,672)	(294)	(1,893)	(6,859)	1,758	(5,101)
Segment profit before income tax expenses	2,398	390	311	3,099	-	3,099
Income tax expenses						(618)
Profit for the period						2,481

The following tables present total assets information regarding the Bank's operating segments as at 30 June 2019 and 31 December 2018.

(Unit: Million Baht)

	As at 30 June 2019			
			Treasury	
		Corporate	investment	
	Retail banking	banking	and others	Total segments
Segment total assets	206,350	30,448	43,037	279,835
Premises and equipment - net	32	1	753	786

(Unit: Million Baht)

	As at 31 December 2018			
			Treasury	
		Corporate	investment	
	Retail banking	banking	and others	Total segments
Segment total assets	207,790	28,853	54,055	290,698
Premises and equipment - net	31	2	754	787

3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the six-month periods ended 30 June 2019 and 2018, the Bank recognised contributions as expenses totaling Baht 73 million and Baht 66 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	30 June 2019	31 December 2018
Other guarantees	454,409	753,963
Undrawn client overdraft facilities	142,319	351,660
Interest rate swap agreements (Note 3.37.4)	300,000	1,200,000
Foreign exchange contracts (Note 3.37.4)	934,996	717,751
Others	707,068	517,961
Total	<u>2,538,792</u>	<u>3,541,335</u>

3.36.2 Litigation

As at 30 June 2019 and 31 December 2018, the Bank has been sued for compensation totaling approximately Baht 325 million and Baht 333 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.36.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 1 - 15 years.

As at 30 June 2019 and 31 December 2018, the Bank has future minimum lease payments required under the non-cancellable operating lease contracts as follows:

(Unit: Million Baht)

	As at	
	30 June 2019	31 December 2018
Payable within:		
Not over 1 year	172	159
Over 1 to 5 years	150	203
Over 5 years	27	32

- c) The Bank has provided warranties in accordance with the terms of an agreement, related to the sale of a personal loan portfolio. The warranties cover a period of 3 years after the transfer date.

3.37 Financial instruments

3.37.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

The Bank is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. Therefore, the Bank does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans to customers as stated in the financial statements.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very high grade”, “High grade” and “Medium grade”, with “Very high grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium grade” as credit from which losses within one year are expected to exceed 2.0% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

	(Unit: Million Baht)	
	As at	
	30 June 2019	31 December 2018
Neither past due nor impaired		
Very high grade	57,341	56,197
High grade	54,281	54,864
Medium grade	11,672	11,777
Subtotal	123,294	122,838
Hire purchase receivables - overdue for 31 to 90 days	11,567	11,319
Hire purchase receivables - overdue for more than 90 days	3,433	3,324
Total	138,294	137,481

3.37.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and interest rates, which may affect income or the capital funds of the Bank. In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank uses a combination of risk sensitivities, Value at Risk and stress testing to manage market risks and establish limits. The Value at Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value at Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.37.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at	
	30 June 2019	31 December 2018
Marketable financial assets		
Equity securities	-	1
Debt securities	5	7
Derivatives	-	-

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over the period of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at	
	30 June 2019	31 December 2018
Change in interest rate		
Increase by 1 percent	71.21	283.08
Decrease by 1 percent	(71.21)	(283.08)

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual. The net interest rate sensitivity incurred would be less than the effect on net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities does not include the status of marketable debt securities, which is presented in the market risk - marketable portfolio.

3.37.2.3 Interest rate risk

The Bank has the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	As at 30 June 2019			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,133	1,133
Interbank and money market items				
- net	-	37,512	1,429	38,941
Derivatives assets	-	-	29	29
Investments - net	-	2,828	7,041	9,869
Loans to customers ⁽¹⁾	23,202	204,595	9,549	237,346
	<u>23,202</u>	<u>244,935</u>	<u>19,181</u>	<u>287,318</u>
Financial liabilities				
Deposits	42,481	158,121	438	201,040
Interbank and money market items	418	2,652	6,997	10,067
Liabilities payable on demand	-	-	276	276
Derivatives liabilities	-	-	2	2
Debts issued and borrowings	-	26,817	-	26,817
	<u>42,899</u>	<u>187,590</u>	<u>7,713</u>	<u>238,202</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2018			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,189	1,189
Interbank and money market items				
- net	-	51,465	1,624	53,089
Derivatives assets	-	-	6	6
Investments - net	-	2,421	4,573	6,994
Loans to customers ⁽¹⁾	25,170	204,428	7,611	237,209
	<u>25,170</u>	<u>258,314</u>	<u>15,003</u>	<u>298,487</u>
Financial liabilities				
Deposits	56,785	137,830	601	195,216
Interbank and money market items	746	3,026	101	3,873
Liabilities payable on demand	-	-	238	238
Derivatives liabilities	-	-	11	11
Debts issued and borrowings	-	49,717	-	49,717
	<u>57,531</u>	<u>190,573</u>	<u>951</u>	<u>249,055</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

Financial instruments which bear interest rate at fixed rates are classified below by the year from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

		As at 30 June 2019						
		Repricing or maturity date						
<u>Transactions</u>		At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (%)
<u>Financial assets</u>								
Interbank and money market								
items - net		1	37,214	-	297	-	37,512	1.7501
Investments - net		-	2,641	132	55	-	2,828	2.1270
Loans to customers		3,674	14,813	42,774	116,221	27,113	204,595	7.3096
		<u>3,675</u>	<u>54,668</u>	<u>42,906</u>	<u>116,573</u>	<u>27,113</u>	<u>244,935</u>	
<u>Financial liabilities</u>								
Deposits		4,615	80,902	71,988	616	-	158,121	1.8331
Interbank and money market items		32	119	186	2,315	-	2,652	0.1900
Debts issued and borrowings		37	8,100	10,000	2,000	6,680	26,817	2.3296
		<u>4,684</u>	<u>89,121</u>	<u>82,174</u>	<u>4,931</u>	<u>6,680</u>	<u>187,590</u>	

(Unit: Million Baht)

		As at 31 December 2018						
		Repricing or maturity date						
<u>Transactions</u>		At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (%)
<u>Financial assets</u>								
Interbank and money market								
items - net		100	51,068	-	297	-	51,465	1.7444
Investments - net		-	1,727	506	188	-	2,421	2.6722
Loans to customers		2,367	16,658	42,510	116,404	26,489	204,428	7.2477
		<u>2,467</u>	<u>69,453</u>	<u>43,016</u>	<u>116,889</u>	<u>26,489</u>	<u>258,314</u>	
<u>Financial liabilities</u>								
Deposits		3,104	68,914	61,874	3,938	-	137,830	1.6413
Interbank and money market items		94	547	140	2,245	-	3,026	0.3561
Debts issued and borrowings		37	10,000	21,000	12,000	6,680	49,717	2.1992
		<u>3,235</u>	<u>79,461</u>	<u>83,014</u>	<u>18,183</u>	<u>6,680</u>	<u>190,573</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.37.3 Liquidity risk

Liquidity risk is uncertainty that the Bank is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations, which could result in damages to the Bank. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the Bank and regulatory requirement. On the other hand, the Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the Bank's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk and return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the Bank sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

The Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the Bank.

The main source of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the Bank also issues subordinated and unsubordinated debentures as another source of fund. On the uses of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Group to support liquidity position if required.

3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 30 June 2019				
Remaining contractual maturity				
	Less than	3 - 12 months	More than	Total
	3 months		1 year	
Liabilities	153,045	82,174	11,611	246,830

(Unit: Million Baht)

As at 31 December 2018				
Remaining contractual maturity				
	Less than	3 - 12 months	More than	Total
	3 months		1 year	
Liabilities	152,492	83,020	24,863	260,375

The matured liabilities are generally rolled-over with 90 percent average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity of less than three months comprise current deposit and saving deposits. Both current deposits and saving deposits are considered to be more stable than term deposits in terms of cash outflow.

3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at	
	30 June 2019	31 December 2018
Composition of highly liquid assets		
Cash	1,133	1,189
Interbank and money market items - net	38,941	53,089
Current investments - net	9,664	6,784
Total highly liquid assets ⁽¹⁾	49,738	61,062
Liquid asset requirement ⁽¹⁾	34,521	43,063

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The Bank has a policy in maintaining the highly liquid assets higher than the internal liquid asset requirement. As at 30 June 2019 and 31 December 2018, the Bank has highly liquid assets, which are daily calculated, at Baht 49,738 million and Baht 61,062 million, respectively, higher than the internal liquid asset requirement, which is daily considered, of Baht 34,521 million and Baht 43,063 million, respectively. In addition, the Bank has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 30 June 2019 and 31 December 2018, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 30 June 2019							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing loans	
Financial assets								
Cash	1,133	-	-	-	-	-	-	1,133
Interbank and money market items - net	1,430	37,214	-	297	-	-	-	38,941
Derivatives assets	-	29	-	-	-	-	-	29
Investments - net	-	7,240	2,367	54	-	208	-	9,869
Loans to customers	3,324	15,300	44,149	122,015	45,485	-	7,073	237,346
	<u>5,887</u>	<u>59,783</u>	<u>46,516</u>	<u>122,366</u>	<u>45,485</u>	<u>208</u>	<u>7,073</u>	<u>287,318</u>
Financial liabilities								
Deposits	47,534	80,902	71,988	616	-	-	-	201,040
Interbank and money market items	7,447	119	186	2,315	-	-	-	10,067
Liabilities payable on demand	276	-	-	-	-	-	-	276
Derivatives liabilities	-	2	-	-	-	-	-	2
Debts issued and borrowings	37	8,100	10,000	2,000	6,680	-	-	26,817
	<u>55,294</u>	<u>89,123</u>	<u>82,174</u>	<u>4,931</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>238,202</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	-	17	8	18	-	411	-	454
Other commitments	-	1,235	81	626	-	142	-	2,084

(Unit: Million Baht)

As at 31 December 2018

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing loans	
Financial assets								
Cash	1,189	-	-	-	-	-	-	1,189
Interbank and money market items - net	1,724	51,068	-	297	-	-	-	53,089
Derivatives assets	-	6	-	-	-	-	-	6
Investments - net	-	4,643	1,948	188	-	215	-	6,994
Loans to customers	2,233	17,119	44,180	121,288	46,080	-	6,309	237,209
	<u>5,146</u>	<u>72,836</u>	<u>46,128</u>	<u>121,773</u>	<u>46,080</u>	<u>215</u>	<u>6,309</u>	<u>298,487</u>
Financial liabilities								
Deposits	60,490	68,914	61,874	3,938	-	-	-	195,216
Interbank and money market items	941	547	140	2,245	-	-	-	3,873
Liabilities payable on demand	238	-	-	-	-	-	-	238
Derivatives liabilities	-	5	6	-	-	-	-	11
Debts issued and borrowings	37	10,000	21,000	12,000	6,680	-	-	49,717
	<u>61,706</u>	<u>79,466</u>	<u>83,020</u>	<u>18,183</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>249,055</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	2	250	38	18	-	446	-	754
Other commitments	-	1,318	623	495	-	351	-	2,787

The Bank will disclose the Bank's Liquidity Coverage Ratio as at 30 June 2019 via the Bank's website within October 2019.

3.37.4 Derivatives

The Bank has a policy to enter into transactions involving financial derivatives instruments for hedging risks and trading.

As at 30 June 2019 and 31 December 2018, the Bank has the following trading financial derivatives instruments.

a) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 30 June 2019

Maturity	Notional amount	Fair value loss
2019	300	(2)

(Unit: Million Baht)

As at 31 December 2018		
Maturity	Notional amount	Fair value loss
2019	1,200	(11)

b) Foreign exchange contract

The Bank entered into foreign exchange contracts to manage the risk associated with its financial assets as follows:

(Unit: Million Baht)

As at 30 June 2019		
Maturity	Notional amount	Fair value gain
2019	935	29

(Unit: Million Baht)

As at 31 December 2018		
Maturity	Notional amount	Fair value gain
2019	718	6

3.37.5 Fair value of financial instruments

The estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position, is as follows:

(Unit: Million Baht)

Transactions	As at			
	30 June 2019		31 December 2018	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	1,133	1,133	1,189	1,189
Interbank and money market items - net	38,941	38,941	53,089	53,089
Derivatives assets	29	29	6	6
Investments - net	9,869	10,436	6,994	7,774
Loans to customers and accrued interest receivables - net	229,914 ⁽¹⁾	234,592	229,108 ⁽¹⁾	232,448
Financial liabilities				
Deposits	201,040	201,040	195,216	195,216
Interbank and money market items	10,067	10,067	3,873	3,873
Liabilities payable on demand	276	276	238	238
Derivatives liabilities	2	2	11	11
Debts issued and borrowings	26,817	26,638	49,717	49,697

⁽¹⁾ As at 30 June 2019 and 31 December 2018, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 3,248 million and Baht 2,951 million, respectively.

In estimating the fair value of financial instruments, an allowance for doubtful debts is deducted based on the relative risk. The book value of financial instruments is the value net of the full amount of such allowance for doubtful debts.

3.38 Fair value hierarchy

As at 30 June 2019 and 31 December 2018, the Bank has the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 June 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Derivatives					
Foreign exchange contract	29	-	29	-	29
Available-for-sale investments					
Equity securities	3	3	-	-	3
Debt securities	9,661	-	9,661	-	9,661
Investment properties	28	-	-	28	28
Office condominiums	629	-	-	629	629
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	2	-	2	-	2
Assets for which fair value is disclosed					
Cash	1,133	1,133	-	-	1,133
Interbank and money market items - net	38,941	2,430	36,214	297	38,941
General investments	205	-	-	772	772
Loans to customers and accrued interest receivables	229,914 ⁽¹⁾	-	58,677	175,915	234,592
Liabilities for which fair value is disclosed					
Deposits	201,040	42,919	158,121	-	201,040
Interbank and money market items	10,067	7,415	2,652	-	10,067
Liabilities payable on demand	276	276	-	-	276
Debts issued and borrowings	26,817	-	26,638	-	26,638

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 3,248 million.

(Unit: Million Baht)

	As at 31 December 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Derivatives					
Foreign exchange contract	6	-	6	-	6
Available-for-sale investments					
Equity securities	4	4	-	-	4
Debt securities	6,780	-	6,780	-	6,780
Investment properties	39	-	-	39	39
Office condominiums	624	-	-	624	624
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	11	-	11	-	11
Assets for which fair value is disclosed					
Cash	1,189	1,189	-	-	1,189
Interbank and money market items - net	53,089	2,370	50,323	396	53,089
General investments	210	-	-	990	990
Loans to customers and accrued interest					
receivables	229,108 ⁽¹⁾	-	60,035	172,413	232,448
Liabilities for which fair value is disclosed					
Deposits	195,216	57,386	137,830	-	195,216
Interbank and money market items	3,873	847	3,026	-	3,873
Liabilities payable on demand	238	238	-	-	238
Debts issued and borrowings	49,717	-	49,697	-	49,697

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,951 million.

During the current period, there were no transfers within the fair value hierarchy.

4. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 9 August 2019.